BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CAL

FILED
10-06-14
04:59 PM

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013 (Filed August 14, 2014)

VOTE SOLAR'S REPLY TO INITIAL RESPONSES TO QUESTIONS POSED IN THE COMMISSION'S ORDER INSTITUTING RULEMAKING

KEYES, FOX & WIEDMAN LLP
Kevin Fox, Attorney
436 14th Street, Suite 1305
Oakland, CA 94612
Telephone: (510) 314-8201
Email: kfox@keyesandfox.com

Counsel for Vote Solar

Date: October 6, 2014

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013 (Filed August 14, 2014)

VOTE SOLAR'S REPLY TO INITIAL RESPONSES TO QUESTIONS POSED IN THE COMMISSION'S ORDER INSTITUTING RULEMAKING

On August 20, 2014, the Commission issued an Order Instituting Rulemaking ("OIR") in the above-captioned proceeding. The OIR invites interested parties to respond to 16 specific questions and to address the scope, schedule and other issues associated with this proceeding. Vote Solar respectfully submits the following reply, which responds to initial comments parties provided on September 5, 2014.

Vote Solar's reply focuses on the need to prioritize certain issues in this proceeding. Specifically, Vote Solar proposes that the Commission focus initial efforts on defining principles and developing parameters to guide the development of distribution resource plans ("DRPs") pursuant to A.B. 327. This will enable the Commission to review, approve, or modify and approve the DRPs the investor-owned utilities ("IOUs") must file by July 1, 2015. This proposed initial focus corresponds to the first and tenth issues in the preliminary scope identified on page 5 of the OIR. Many interesting ideas have been raised in the OIR and in initial party comments to OIR questions that deserve further consideration in this proceeding. However, to provide meaningful direction to the IOUs in advance of their filing DRPs by July 1, 2015, Vote Solar encourages the Commission to pursue an initial scope that focuses on interpreting and applying statutory requirements with regard to the DRPs.

I. SCOPE OF PROCEEDING – NEED TO SET CLEAR GOALS AT THE OUTSET

In opening comments, the Interstate Renewable Energy Council ("IREC") proposes that the Commission add to the scope of the proceeding customer engagement and how to incorporate improved customer engagement into DRPs.[1] Vote Solar agrees. We believe that clearly incorporating improved customer engagement into the scope of the proceeding will help ensure that customers' needs remain the central focus of electric utility service generally and utility distribution planning specifically. Vote Solar stresses in initial comments that the Commission should ensure DRPs facilitate a greater diversity of energy choices for customers and expand options for renewable-energy procurement for all customers.[2]

We are quickly moving past a time when customers look to electric utilities simply to provide electricity to the doorsteps of homes and businesses. Increasingly, customers are looking to regulated utilities to assist with the integration of DERs that can assist them in managing on-site energy needs and to expand the options they have available for meeting those needs. This evolving consumer interest necessitates a reexamination of the broader public interest that guides public utility regulation. Vote Solar believes a broader consideration of the ways in which electric utility service and regulation must evolve in light of changing consumer preferences is ripe for discussion in this proceeding. However, the Commission should first focus on providing concrete direction to utilities regarding the contents of DRPs that must be submitted by July 1, 2015. The majority of parties that submitted initial comments propose that the Commission expand on A.B. 327 requirements and make DRPs subject to some sort of ongoing review. Vote Solar agrees and believes that after the statutory requirements regarding

---

1 IREC pages 2-3 (all footnotes correspond to party opening comments filed in this proceeding on September 5, 2014).

2 Vote Solar pages 1-2.

DRP contents and requirements are interpreted and guidance is given to IOUs regarding the necessary contents of DRPs, the Commission should undertake a broader examination of the evolving public interest and the ways in which regulated utility service must evolve to keep pace with changing technology and new consumer preferences.

In addition to interpreting statutory requirements for DRPs, Vote Solar also encourages the Commission to establish clear goals for distribution planning in California at the outset of this proceeding. Specifically, Vote Solar believes the Commission should ensure distribution planning results in a modernized electric grid that: (1) serves as a backbone to facilitate access to DERs; (2) provides open access to DER providers; (3) facilitates information transparency and a greater diversity of energy choices for consumers; (4) and expands options for renewable-energy procurement for all customers, including larger corporate, institutional and government entities with clean-energy commitments, goals or interests.

Vote Solar believes these four goals should guide the implementation of A.B. 327 requirements, which focus on locating DERs in "optimal locations." DERs such as electric vehicles, energy efficiency, energy storage, demand response, and distributed renewable generation represent consumer goods and services and so optimal locations will be determined in the first instance by consumers. Thus, consumers will be active participants in determining optimal locations and improved customer engagement should be expressly incorporated into the scope of the proceeding, as discussed above, to ensure this is the case. This is no different from historical distribution planning, which has been responsive to choices consumers have historically made to meet their electricity needs. Through adoption of the four goals Vote Solar proposes above and implementation of the recommendations we provide in opening comments and in this reply, the Commission can ensure that consumer demand remains the central and

appropriate focus of distribution planning.

Consumer demand for DERs should be appropriately incorporated into ongoing and future planning efforts for electric utilities in the state. Cost-effective integration of these resources, which are DERs, is at the heart of A.B. 327 and this proceeding. DRPs should be used to forecast, plan, facilitate and monitor customer adoption of DERs and provide necessary information that can be integrated into other planning efforts. DRPs should also evaluate whether cost-effective mixes of DERs can serve as alternatives to traditional utility investment in distribution, transmission and generation capacity. Cost effective DER implementations that are identified in DRPs should be pursued and prioritized and should inform other planning efforts, including the Commission's interconnection proceeding, distributed generation proceeding, vehicle-to-grid proceeding, storage proceeding, resource adequacy proceeding, and long-term procurement planning proceeding. This is consistent with California's loading order, which establishes a clear preference for the use of energy efficiency, demand response and renewable and distributed generation to meet California's electricity needs. Accordingly, DRP forecasted customer DER adoption rates and identification of locations where DERs may serve as cost-effective alternatives to traditional investment should serve as a central planning tool that should inform other state planning efforts.

II. INITIAL FOCUS OF THE PROCEEDING

The Commission should focus initial efforts in this proceeding on identifying elements that must be addressed to enable IOUs to file DRPs by June 1, 2015, in compliance with AB 327, which requires IOUs to:

- Evaluate locational benefits and costs of distributed resources located on the distribution system.
- Propose or identify standard tariffs, contracts, or other mechanisms for the deployment

of cost-effective distributed resources that satisfy distribution-planning objectives.

- Propose cost-effective methods of effectively coordinating existing commission-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources.

- Identify any additional utility spending necessary to integrate cost-effective distributed resources into distribution planning consistent with the goal of yielding net benefits to ratepayers.

- Identify barriers to the deployment of distributed resources, including, but not limited to, safety standards related to technology or operation of the distribution circuit in a manner that ensures reliable service.

To successfully implement these statutory requires and provide appropriate direction to the IOUs in advance of July 1, 2015, Vote Solar proposes that the Commission prioritize the following issues in this proceeding: 1) determining "optimal locations for DERs; 2) quantifying the avoided cost of locating DERs in such locations; 3) determining appropriate compensation methods for DERs that locate in such areas; and 4) identifying current barriers to DER deployment.

1) Determining "optimal locations" for DERs

A.B. 327 requires each electrical corporation to "submit to the commission a distribution resources plan proposal to identify optimal locations for the deployment of distributed resources." Party comments varied in how to define optimal locations. Vote Solar's initial comments propose that optimal locations for DERs varies by one or more of three possible goals or DER applications: (1) where customers would like to integrate DERs, or "Customer Responsiveness" locations; (2) where DERs can be integrated at a low cost, or "Low-Cost Integration" locations; and (3) where DERs can maximize grid benefits, or "Benefits Maximization" locations. As discussed above, customer responsiveness should be the first priority in distribution planning.

- In the case of Customer Responsiveness, customers determine where and when they

want to utilize DERs, and IOUs should be compensated based on their responsiveness to facilitating customer access to DERs. Customer on-site adoption of DERs should be facilitated regardless of whether customers are located in the "Low-Cost Integration" or "Benefits Maximization" areas discussed below.

- In the case of Low-Cost Integration, DERs that are not located on-site at customer locations can be integrated strategically where the cost of doing so would be relatively low. This is compatible with PG&E's proposal that optimal locations include areas where new DERs can be interconnected with minimal need for additional investment by the distribution system owner to ensure the system can continue to be operated safely and reliably.[3]

- In the case of Benefits Maximization, DERs could also be strategically integrated where doing so would prevent or defer necessary upgrades to T&D facilities or where DERs can provide ancillary services. This is compatible with PG&E's proposal that optimal locations can also be interpreted as the areas where new DERs can provide capacity and/or reliability benefits to the distribution system.[4]

With regard to Benefits Maximization locations, Vote Solar noted in initial comments the need to identify criteria for when an IOU will consider DERs as an alternative to wires-based solutions. Vote Solar proposes that the Commission require IOUs to include in DRPs the specific criteria they will use to consider whether mixes of DERs may serve as a cost-effective alternative to traditional investment in generation, distribution and transmission capacity ("traditional investments"), including: (1) criteria for comparing costs and benefits of DER combinations to traditional investments; (2) criteria for identifying the types of traditional investments for which DERs should be examined as an alternative; (3) criteria for determining the boundaries of Low-Cost Integration DER locations and Benefits Maximization DER locations; and (4) criteria and inputs for determining and setting an appropriate flat fee for interconnecting non-net metered DERs in Low-Cost Integration locations.

In initial comments, SDG&E explains its approach for determining whether DERs are a viable alternative to traditional investments. SDG&E's four-step approach includes that DERs:

[3] PG&E page 3.
[4] *Id.*

(1) must be installed in the right location, (2) at the right time to avoid utility distribution and/or transmission upgrades, (3) of the right size to meet the capacity need, and (4) provide physical assurance or a guarantee of performance to ensure the resource needs are met.[5] Although SDG&E offers a potential starting point for discussion, the Commission should require IOUs to be more specific in defining the criteria that will be applied in determining cost-effective alternatives to traditional investments. More transparency and specificity is needed in understanding what is the "right location", "right time", and "the right size".

2) Quantifying avoided costs of locating in optimal locations

A.B. 327 requires DRPs to "Evaluate locational benefits and costs of distributed resources located on the distribution system." TURN's opening comments stress that the Commission should use this proceeding to develop a robust methodology for determining locational values associated with various DERs and develop a framework for assessing how to promote cost-effective deployments of such resources as an alternative to utility investments in traditional distribution infrastructure.[6] Likewise, PG&E proposes that the proceeding evaluate and establish a consistent methodology for calculating the costs and benefits of distributed resources at various locations on the distribution systems.[7] SolarCity also stresses that there must be a robust assessment of the costs and benefits yielded by distributed resources across the utilities' respective distribution systems.[8]

Vote Solar agrees that DRPs should include criteria for comparing costs and benefits of DERs. Vote Solar notes that costs and benefits may need to be looked at differently for the three categories of optimal locations – i) Customer Responsive, ii) Low-Cost Integration, and

---

5 SDG&E page 7.
6 TURN page 1.
7 PG&E page 2.
8 SolarCity page 3.

iii) Benefits Maximization. DRPs should include a cost-benefit evaluation that assesses whether optimal mixes of DERs in each of these three categories can serve as cost-effective alternatives to traditional utility investment. A first step will be determining an appropriate list of costs and benefits to consider and an appropriate framework for quantifying those costs and benefits. The California Standard Practice Manual for Economic Analysis of Demand-Side Programs and Projects is a good staring point.[9]

3) Determining compensation mechanisms

A.B. 327 requires DRPs to propose or identify standard tariffs, contracts, or other mechanisms for the deployment of cost-effective distributed resources that satisfy distribution planning objectives. Consistent with its opening comments, Vote Solar encourages the Commission to maintain the interconnection cost waiver that is currently in place for net energy metering ("NEM") participants and non-exporting solar generators. The Commission should consider extending this waiver to new PV systems that primarily serve on-site load after the State's statutory enrollment cap for NEM is reached.

Vote Solar believes the Commission should consider two mechanisms for compensating DG sited in Benefits Maximization areas: (1) location-specific RFOs, and (2) direct compensation. Location-specific RFOs could target either general areas, such as local reliability zones, or more-specific locations, where the IOU could procure land and oversee permitting and interconnection. RFOs could be modeled on the State's Renewable Auction Mechanism, using standard contracts and existing solicitation protocols, but targeting generators located in specific locations or general areas where doing so would provide capacity, reliability or ancillary service benefits. Bids could be compared to a pre-determined cost-effectiveness

[9] http://www.cpuc.ca.gov/PUC/energy/Energy+Efficiency/Cost-effectiveness.htm

threshold that takes into account the cost of traditional investments. IOUs could also use RFOs to procure other types of DERs, including storage facilities. Storage coupled with variable DG provides a firm resource with dependable capacity. IOUs should consider other mixes of DERs as well.

In addition to embracing the use of location-specific RFOs, the Commission should also consider direct compensation to local distributed PV -- both wholesale and customer-side -- systems sited in areas that yield avoided costs. For wholesale PV, compensation for the avoided-cost value yielded could either be added to the compensation provided to generators selected through an RFO process or provided as an "adder" through one of the Commission's feed-in tariff programs for smaller DG. For customer-side PV, direct compensation could be modeled on the CSI's incentive structure.

4) Identifying Barriers to DER Deployment

A.B. 237 requires DRPs to identify barriers to the deployment of distributed resources. In opening comments, PG&E recommends that the proceeding at this early stage provide an inventory of existing tariffs, utility procedures, customer programs and operating protocols that affect the timely integration of distributed resources at all relevant points on the electric distribution system.[10] PG&E says this inventory should include a discussion of where the existing tariffs and procedures may be perceived to act as barriers to the development and integration of distributed resources under various scenarios of market penetration and customer needs, and how those barriers can be removed.[11] Vote Solar agrees but notes that party initial comments have already identified at least two concrete concerns:

a) The interconnection cost-allocation process

[10] PG&E page 2.
[11] *Id.*

Numerous parties raise interconnection considerations in opening comments. PG&E states "to the extent that IOU customers prefer and choose customer-owned or operated DERs to serve their retail electricity needs, IOUs should provide convenient, expedited and cost-effective methods and criteria for interconnecting those DERs to the grid in order to satisfy the preferences of their customers."[12] SCE says it "anticipates that a set of investments will be required to modernize the grid and accomplish the overarching principle of the DRP (i.e., to facilitate integration of DER at optimal locations in a manner that minimizes overall system costs and maximizes ratepayer benefit from investments in DER, while at the same time maintaining system safety and reliability)."[13] SCE states: "the DRP should not restrict its existing ability to commence with small, near term distribution system planning and upgrades.[14] SCE states that it "needs such flexibility to maintain the safety and reliability of the distribution system."[15]

Vote solar agrees that the IOUs should be given a mandate to respond to customer adoption of DERs and complete upgrades necessary to facilitate consumer decisions. This is particularly paramount where DER interconnection costs are concerned. As discusses above, the Commission should maintain California policy of allowing utilities to proactively complete upgrades necessary to accommodate customer adoption of onsite solar generation. Vote Solar believes the Commission should authorize IOUs to respond to customer demand for DERs, provide open access to their distribution facilities (including the continued accommodation of customer-side generation), and utilize appropriate planning practices that account for and embrace DER expansion. This will allow the IOUs to respond effectively to the expansion of

---

12 PG&E page 5.
13 SCE page 18.
14 *Id.*
15 *Id.*

customer-sited solar PV, while facilitating the achievement of California's energy and climate goals through private investment.

b) Ensuring data transparency

AB 327 requires DRPs to propose cost-effective methods of effectively coordinating existing commission-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of distributed resources. This requirement cannot be met unless full data transparency is provided. SolarCity emphasizes that full transparency of the methodology is as important as the identification of optimal locations themselves.[16] Optimal locations alone, without disclosure of data and a fully repeatable methodology, limit the potential impact of AB 327 to encourage thoughtful DER integration.[17] Vote Solar Agrees. Data transparency must be provided regarding: (1) criteria for comparing costs and benefits of wires expenditures to traditional investments; (2) criteria for identifying the types of traditional investments for which DERs should be examined as an alternative; (3) criteria for determining Low-Cost Integration DER locations and Benefits Maximization DER locations; and (4) criteria and inputs for determining and setting an appropriate flat fee for interconnecting non-net metered DERs in Low-Cost Integration locations.

With respect to Low-Cost Integration DERs, potential sites should be identified and made public on maps presented on IOUs' web sites. Recognizing that these maps (i.e., the underlying data) and IOU DER forecasts will be dynamic, it is critical that IOUs update them as frequently as possible the information they provide to the public. IOUs should also indicate any applicable fixed costs for DER integration in those locations. Doing so will ultimately result in smoother and more-efficient DER integration.

---

[16] SolarCity page 5.
[17] *Id.*

III. CONCLUSION

Vote Solar appreciates the opportunity to submit this reply to the initial comments parties submitted to questions presented in the Commission's OIR in this proceeding.

Respectfully submitted on October 6, 2014.

/s/ Kevin T. Fox

Kevin T. Fox
KEYES, FOX & WIEDMAN LLP
436 14th Street, Suite 1305
Oakland, CA 94612
Telephone: (510) 314-8201
E-mail: kfox@keyesandfox.com